



Carty & Company, Inc.

Weekly Market Update – October 2018, Week 3

By Ryan R. Coombs – Senior Vice President, Research & Strategies

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Compare Rates

US Treasuries			
Maturity	Yield	Change	2 Weeks Ago
3	2.98	(0.01)	2.99
5	3.05	(0.03)	3.08
7	3.13	(0.05)	3.18
10	3.19	(0.05)	3.24
30	3.37	(0.05)	3.42

Agencies			
Maturity	Yield	Change	2 Weeks Ago
3	2.99	0.00	2.99
5	3.10	(0.02)	3.12
7	3.18	(0.02)	3.20
10	3.47	(0.02)	3.49
25	3.63	(0.01)	3.64

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	2 Weeks Ago
1	1.97	0.00	1.97
5	2.32	0.01	2.31
10	2.77	0.05	2.72
15	3.10	0.05	3.05
30	3.45	0.06	3.39

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	2 Weeks Ago
1	3.18	0.78	2.40
5	3.74	0.52	3.22
10	4.46	0.41	4.05
15	5.00	0.46	4.54
30	5.57	0.57	5.00

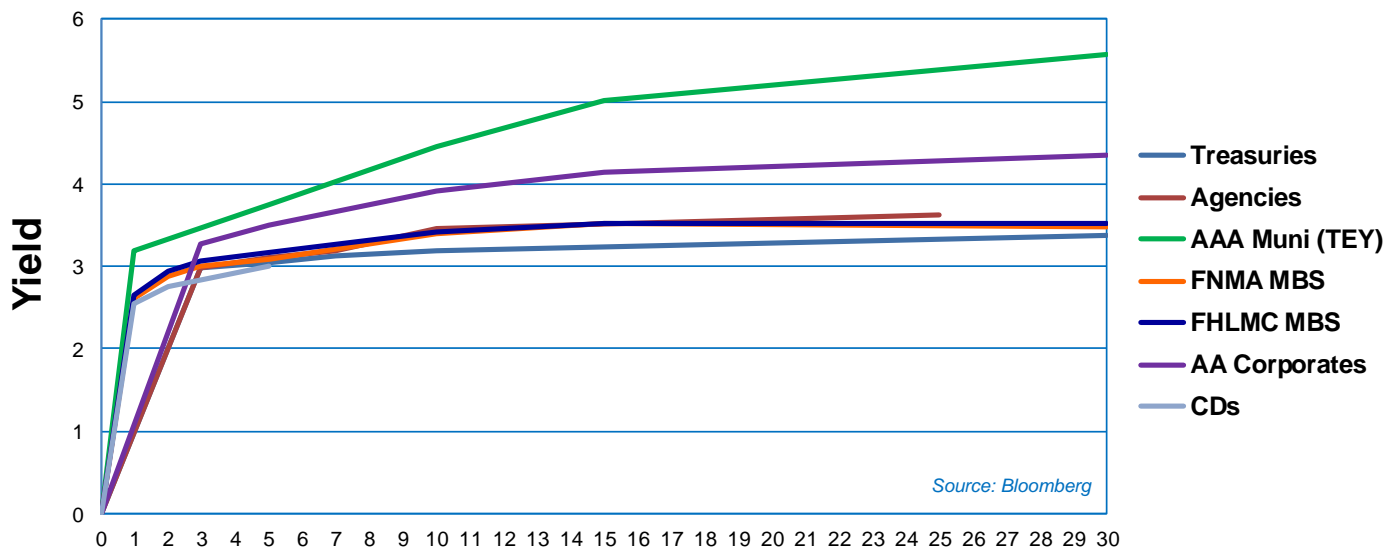
Brokered CDs			
Maturity	Yield	Change	2 Weeks Ago
1	2.55	0.00	2.55
2	2.75	0.00	2.75
5	3.00	0.00	3.00

Corporate Index (AA)			
Maturity	Yield	Change	2 Weeks Ago
3	3.28	0.04	3.24
5	3.50	0.03	3.47
10	3.93	0.03	3.90
15	4.15	0.03	4.11
30	4.35	0.04	4.31

MBS - Current Coupon			
FNMA	Yield	Change	2 Weeks Ago
15yr	3.52	0.04	3.48
30yr	4.00	(0.01)	4.01
FHLMC	Yield	Change	2 Weeks Ago
15yr	3.55	0.04	3.51
30yr	4.02	(0.01)	4.03

Equities			
Index	Current	Change	2 Weeks Ago
DJIA	25,362	(1011.63)	26,374
S&P 500	2,776	(103.69)	2,880
Nasdaq	7,434	(329.08)	7,763

Fixed Income Sector Performance





Economy

U.S. Weekly Jobless Claims Fall:

- 🌐 New applications for U.S. unemployment benefits dropped last week and the number of Americans on jobless rolls fell back to levels last seen in 1973, suggesting a further tightening in labor market conditions.
 - ➡ A strong labor market and robust economy likely keep the Federal Reserve on course to increase interest rates again in December. The U.S. central bank raised rates in September for the third time this year and removed the reference to monetary policy remaining "accommodative."
 - ➡ Initial claims for state unemployment benefits decreased 5,000 to a seasonally adjusted 210,000 for the week ended Oct. 13, the Labor Department said on Thursday. Claims fell to 202,000 during the week ended Sept. 15, which was the lowest level since November 1969.
 - ➡ Economists polled by Reuters had forecast claims slipping to 212,000 in the latest week. The Labor Department said claims for South and North Carolina continued to be affected by Hurricane Florence, which drenched the region in mid-September. Claims for Florida were impacted by Hurricane Michael.
 - ➡ The four-week moving average of initial claims, considered a better measure of labor market trends as it irons out week-to-week volatility, rose 2,000 to 211,750 last week.
 - ➡ Thursday's claims report also showed the number of people receiving benefits after an initial week of aid fell 13,000 to 1.64 million for the week ended Oct. 6, the lowest level since August 1973. The four-week moving average of the so-called continuing claims dipped 1,250 to 1.65 million, also the lowest level since August 1973.

4-Week Moving Average of Initial Claims





Fixed Income

Treasury Resistance Level Becomes Support:

- ✿ Until recently, the previous ceiling for 10-Year U.S. Treasury yields during 2018 was 3.13%. This level is shaping up to be an important pivot point. Pivot points can be suggested by a singular bounce at a long-term high/low. It is not necessarily the first bounce that suggests a certain level as a pivot, however. Rather, it is when yields return to that level and fail to break through to the other side.
 - ➔ The 3.13% level acted as a ceiling earlier this year but that level is now acting as a floor. Recent weakness has pushed yields far enough away from 3.13% to consider it a firmly established pivot. As long as yields remain north of this, there are reasonable expectations for rates to push into new long-term highs this year.
 - ➔ Major contributing factors involve the combination of higher Treasury issuance and ongoing Fed tightening. Recent strong economic data has only added marginally to the pace of the adjustment.

10-Year U.S. Treasury Yields Pivot



Source: Bloomberg

Federal Reserve Unanimously Backed Higher Rates:

- 🏛 President Donald Trump's unhappiness with the Federal Reserve for hiking interest rates seems to be having little sway with policymakers. Central bank officials were unified in voting last month to boost rates by a quarter point, the Fed's account of its September policy meeting shows.
 - ➔ Some members of the rate-setting panel -- the Federal Open Market Committee -- also indicated it might be necessary to raise rates more aggressively to keep the economy from overheating. But others argued against stronger tightening of monetary policy without "clear signs" the economy is running hot.



Equities

Stock Market Struggles for Direction:

- 📁 Stocks struggled for direction Friday after bulls failed to defend early gains as investors digested weak housing data and tech shares turned lower. The day's choppy action comes as the market quietly marked the 31st anniversary of the 1987 crash.
 - The Dow Jones Industrial Average DJIA rose 50 points after being up more than 100 points previously. The S&P 500 index gained 2 points to 2,771, coming off intraday highs as the technology sector turned red. The Nasdaq Composite fell 25 points, or 0.4%, to 7,459.
 - Shares of eBay Inc. tumbled 9.3% after analysts at Stifel Nicolaus downgraded the stock from buy to hold, citing PayPal's earnings release, which suggested that the online retail would post disappointing gross merchandise volume when it reports on October 30th.
 - Procter & Gamble Company shares jumped more than 7% to lead Dow gainers after reporting it's best quarterly sales numbers in five years on Thursday.

Global Market United States Index

Sector	Performance			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
Communication Services 3 Industries	-3.80%	+3.20%	-6.76%	22.6x	1.3x	4.83%
Consumer Discretionary 17 Industries	-8.15%	-5.97%	+5.95%	16.5x	1.0x	1.27%
Consumer Staples 9 Industries	-2.03%	+1.40%	-5.97%	15.1x	1.0x	2.86%
Energy 3 Industries	-2.90%	-3.87%	+0.78%	14.0x	1.2x	1.74%
Financials 12 Industries	-6.02%	-5.50%	-4.85%	15.2x	2.1x	1.91%
Health Care 8 Industries	-2.01%	+4.17%	+12.57%	18.2x	1.2x	1.86%
Industrials 17 Industries	-8.38%	-2.70%	-3.68%	15.7x	1.1x	1.85%
Information Technology 10 Industries	-6.25%	-4.36%	+11.38%	14.8x	2.1x	0.90%
Materials 6 Industries	-10.43%	-10.09%	-11.85%	13.2x	1.1x	1.79%
Utilities 6 Industries	-0.53%	+2.87%	+2.70%	17.1x	1.3x	3.78%

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Source: Bloomberg

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